

**FRUIT HEIGHTS CITY  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS  
YEAR ENDED JUNE 30, 2011**

## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-7

### Basic Financial Statements:

Government Wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities .....	9
Governmental Funds Statements:	
Balance Sheet – Governmental Funds .....	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	13
Proprietary Fund Statements:	
Statement of Net Assets – Proprietary Funds .....	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	15
Statement of Cash Flows – Proprietary Funds .....	16-17
Notes to the Financial Statements .....	18-34

### Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes to Fund Balances Budget and Actual – General Fund .....	35-37
--	-------

### Auditors' Reports and Findings:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	38-39
Independent Auditors' Report on State of Utah Legal Compliance .....	40-41
Schedule of Findings .....	42

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
Fruit Heights City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Fruit Heights City, Utah, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fruit Heights City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Fruit Heights City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of Fruit Heights City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fruit Heights City's financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wood Richards & Associates

Ogden, UT  
December 20, 2011

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FRUIT HEIGHTS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

---

## INTRODUCTION

The following is a discussion and analysis of Fruit Heights City's financial performance and activities for the fiscal year ending June 30, 2011.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Assets, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Fruit Heights City's business type activities are sewer, water, solid waste and storm water.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fruit Heights City has two Governmental Funds. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

# FRUIT HEIGHTS CITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE FISCAL YEAR ENDING JUNE 30, 2011

Fruit Heights City has four Proprietary Funds. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Fruit Heights City has four Enterprise Funds, the water fund, the sewer fund, the solid waste fund and the storm water fund. An internal service fund is presented in a separate column in the Proprietary Fund financial statements. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

##### Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010	June 30 2011	June 30 2010
Current and other assets	\$ 1,702,254	\$ 2,908,747	\$ 1,067,045	\$ 786,470	\$ 2,769,299	\$ 3,695,217
Capital assets	5,780,290	4,447,871	5,878,319	6,016,776	11,658,609	10,464,647
Total assets	<u>7,482,544</u>	<u>7,356,618</u>	<u>6,945,364</u>	<u>6,803,246</u>	<u>14,427,908</u>	<u>14,159,864</u>
Long-term liabilities						
outstanding	25,043	20,550	180,000	210,000	205,043	230,550
Other liabilities	634,484	847,912	232,467	182,317	866,951	1,030,229
Total liabilities	<u>659,527</u>	<u>868,462</u>	<u>412,467</u>	<u>392,317</u>	<u>1,071,994</u>	<u>1,260,779</u>
Net assets:						
Invested in capital assets, net of related debt	5,780,290	4,399,358	5,636,594	5,775,051	11,416,884	10,174,409
Restricted	133,908	586,009	605,140	555,108	739,048	1,141,117
Unrestricted	908,819	1,502,789	291,163	80,770	1,199,982	1,583,559
Total net assets	<u>\$ 6,823,017</u>	<u>\$ 6,488,156</u>	<u>\$ 6,532,897</u>	<u>\$ 6,410,929</u>	<u>\$ 13,355,914</u>	<u>\$12,899,085</u>

The largest component of the City's net assets, 85.5%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 5.5% of total net assets and are subject to external restrictions on how they may be used. The remaining 9.0% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

**FRUIT HEIGHTS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**Governmental Activities and Business Type Activities**

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	June 30 2011	June 30 2010	June 30 2011	June 30 2010	June 30 2011	June 30 2010
Revenues:						
Program revenues:						
Charges for services	\$ 317,757	\$ 290,430	\$ 1,378,974	\$ 1,332,457	\$ 1,696,731	\$ 1,622,887
Operating grants and contributions	167,058	164,397	-	-	167,058	164,397
Capital grants and contributions	12,265	272,747	83,438	254,145	95,703	526,892
General revenues:						
Property taxes	554,371	501,983	-	-	554,371	501,983
Other taxes	510,344	518,885	-	-	510,344	518,885
Grants and contributions not restricted to specific programs						
Other	20,738	25,939	8,654	9,522	29,392	35,461
Total revenues	<u>1,582,533</u>	<u>1,774,381</u>	<u>1,471,066</u>	<u>1,596,124</u>	<u>3,053,599</u>	<u>3,370,505</u>
Expenses:						
General government	596,771	539,228	-	-	596,771	539,228
Public safety	265,791	253,253	-	-	265,791	253,253
Highways and public improvements	225,485	201,856	-	-	225,485	201,856
Parks and recreation	159,625	175,380	-	-	159,625	175,380
Solid waste	-	-	298,477	275,312	298,477	275,312
Storm sewer	-	-	183,328	176,060	183,328	176,060
Water	-	-	505,908	595,729	505,908	595,729
Sewer	-	-	361,385	356,821	361,385	356,821
Total expenses	<u>1,247,672</u>	<u>1,169,717</u>	<u>1,349,098</u>	<u>1,403,922</u>	<u>2,596,770</u>	<u>2,573,639</u>
Change in net assets	334,861	604,664	121,968	192,202	456,829	796,866
Net assets-beginning	<u>6,488,156</u>	<u>5,883,492</u>	<u>6,410,929</u>	<u>6,218,727</u>	<u>12,899,085</u>	<u>12,102,219</u>
Net assets-ending	<u>\$ 6,823,017</u>	<u>\$ 6,488,156</u>	<u>\$ 6,532,897</u>	<u>\$ 6,410,929</u>	<u>\$ 13,355,914</u>	<u>\$12,899,085</u>

**Governmental Activities**

The activities in the governmental funds resulted in an increase in net assets of \$334,861 for the year.

**Business-Type Activities**

The business-type activities increased net assets by \$121,968.



**FRUIT HEIGHTS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

---

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

**Net Assets**

The assets of Fruit Heights City exceeded its liabilities at the end of the current fiscal year by \$13,355,914 (net assets). Of this amount, \$1,199,982 (unrestricted net assets) is available to meet ongoing obligations to citizens and creditors.

Total net assets increased by \$456,829. Governmental activities increased by \$334,861 and business-type activities increased by \$121,968.

**Fund Balances**

The fund balance in the General Fund decreased by \$1,045,530. The fund balance in the Capital Projects Fund increased by \$14,981. The large decrease in the General Fund was the result of a major road project financed by carryover surplus funds and Class "C" Road funds.

The unreserved and undesignated fund balance of the General Fund at June 30, 2011, totaling \$262,325, is 16.8% of the General Fund total revenues for the year and is available for spending at the discretion of the City (unreserved and undesignated fund balance). The General Fund, also has \$5,428 of fund balance reserved for specific purposes that will be carried over into the following fiscal year. The Capital Projects Fund has \$517,490 of fund balance of which \$130,659 is restricted specifically for park impact fee expenditures.

**Capital Assets**

Fruit Heights City added \$1,489,654 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: City Hall improvements for \$45,528 and the Mountain Road reconstruction project for \$1,444,126.

**Long-Term Debt**

The City currently owes \$210,000 for a municipal revenue obligation in the form of a promissory note. The proceeds from the note were used to finance the City's construction of a secondary water system for a portion of the City. \$30,000 of the debt will be paid in the current year with \$180,000 remaining in long-term debt. Special assessment collections will be used to pay this obligation.

**General Fund Budgets**

Fruit Heights City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Actual General Fund revenues were \$9,077 above the final budget and \$94,277 above the original adjusted budget. Actual General Fund expenses before transfers were \$227,003 below the final budget and \$95,232 above the original adjusted budget.

**FRUIT HEIGHTS CITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

---

**ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Fruit Heights City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Fruit Heights City, 910 South Mountain Road, Fruit Heights City, Utah 84037.

# **BASIC FINANCIAL STATEMENTS**

**FRUIT HEIGHTS CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 937,243	\$ 252,255	\$ 1,189,498
Restricted cash	133,908	529,921	663,829
Restricted cash - subdivider guarantee deposits	7,002	-	7,002
Accounts receivable	7,258	127,446	134,704
Special assessments receivable	-	75,219	75,219
Due from other governmental units	634,918	-	634,918
Internal balances	(18,075)	18,075	-
Prepaid expenses	-	64,129	64,129
Capital assets (net of accumulated depreciation):			
Land	1,135,873	98,783	1,234,656
Buildings	726,845	-	726,845
Improvements	3,606,573	5,754,598	9,361,171
Machinery and equipment	310,011	8,823	318,834
Water rights	988	16,115	17,103
<b>TOTAL ASSETS</b>	<b>7,482,544</b>	<b>6,945,364</b>	<b>14,427,908</b>
<b>LIABILITIES</b>			
Accounts payable	44,490	67,266	111,756
Impact fees payable		35,125	35,125
Deferred revenue	524,286	-	524,286
Deposits	58,706	-	58,706
Subdivider guarantee deposits	7,002	100,076	107,078
Non-current liabilities:			
Due within one year	-	30,000	30,000
Due in more than one year	25,043	180,000	205,043
<b>TOTAL LIABILITIES</b>	<b>659,527</b>	<b>412,467</b>	<b>1,071,994</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,780,290	5,636,594	11,416,884
Restricted for:			
Class "C" roads	3,249	-	3,249
Parks impact fees	130,659	-	130,659
Impact fees	-	432,116	432,116
Special assessment	-	173,024	173,024
Unrestricted	908,819	291,163	1,199,982
<b>TOTAL NET ASSETS</b>	<b>\$ 6,823,017</b>	<b>\$ 6,532,897</b>	<b>\$ 13,355,914</b>

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
PRIMARY GOVERNMENT:					Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 596,771	\$ 293,657	\$ -	\$ -	\$ (303,114)	\$ -	\$ (303,114)
Public safety	265,791	24,100	3,301	-	(238,390)	-	(238,390)
Highways and public improvements	225,485	-	163,757	-	(61,728)	-	(61,728)
Parks and recreation	159,625	-	-	12,265	(147,360)	-	(147,360)
Total governmental activities	1,247,672	317,757	167,058	12,265	(750,592)	-	(750,592)
Business-type activities:							
Water	505,908	573,362	-	56,362	-	123,816	123,816
Sewer	361,385	377,773	-	-	-	16,388	16,388
Solid waste	298,477	337,858	-	-	-	39,381	39,381
Storm water	183,328	89,981	-	27,076	-	(66,271)	(66,271)
Total business-type activities	1,349,098	1,378,974	-	83,438	-	113,314	113,314
Total primary government	\$ 2,596,770	\$ 1,696,731	\$ 167,058	\$ 95,703	(750,592)	113,314	(637,278)
General revenues:							
Property taxes					554,371	-	554,371
Sales taxes					452,688	-	452,688
Fees-in-lieu of taxes					57,656	-	57,656
Miscellaneous					20,738	8,654	29,392
Gain (loss) on sale of assets					-	-	-
Total general revenues and transfers					1,085,453	8,654	1,094,107
Change in net assets					334,861	121,968	456,829
Net assets - beginning					6,488,156	6,410,929	12,899,085
Net assets - ending					\$ 6,823,017	\$ 6,532,897	\$ 13,355,914

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 174,277	\$ 386,831	\$ 561,108
Restricted cash	3,249	130,659	133,908
Restricted cash - subdivider guarantee deposits	7,002	-	7,002
Accounts receivable	7,258	-	7,258
Interfund receivable	73,321	-	73,321
Due from other governmental units	634,918	-	634,918
Total assets	<u>\$ 900,025</u>	<u>\$ 517,490</u>	<u>\$ 1,417,515</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 42,278	\$ -	\$ 42,278
Customer deposits	58,706	-	58,706
Subdivider guarantee deposits	7,002	-	7,002
Deferred revenues	524,286	-	524,286
Total liabilities	<u>632,272</u>	<u>-</u>	<u>632,272</u>
Fund balances:			
Restricted for:			
Class "C" Roads	3,249	-	3,249
Park impact fees	-	130,659	130,659
Assigned to:			
Emergency preparedness	2,179	-	2,179
Capital projects fund	-	386,831	386,831
Unassigned	262,325	-	262,325
Total fund balances	<u>267,753</u>	<u>517,490</u>	<u>785,243</u>
Total liabilities and fund balances	<u>\$ 900,025</u>	<u>\$ 517,490</u>	<u>\$ 1,417,515</u>

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

---

Total fund balances - governmental funds: \$ 785,243

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported  
in the funds.

Land	\$ 1,135,873	
Water rights	988	
Buildings	1,090,758	
Improvements	4,048,476	
Machinery and equipment	108,875	
Accumulated depreciation	<u>(882,801)</u>	
		5,502,169

Internal service funds are used by management to charge the  
costs of the vehicle and equipment fund to individual funds.  
The assets and liabilities of the Internal Service Fund are  
included in governmental activities in the Statement of  
Net Assets.

560,648

Long-term liabilities, including compensated absences are not  
due and payable in the current period and therefore are not  
reported in the governmental funds, but they are reported  
in the Statement of Net Assets.

Compensated absences	<u>(25,043)</u>
----------------------	-----------------

Net assets of governmental activities	<u><u>\$ 6,823,017</u></u>
---------------------------------------	----------------------------

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 554,371	\$ -	\$ 554,371
Sales taxes	452,688	-	452,688
Fees-in-lieu of taxes	57,656	-	57,656
Licenses and permits	143,196	-	143,196
Intergovernmental	167,058	-	167,058
Charges for services	150,461	-	150,461
Fines and forfeitures	24,100	-	24,100
Miscellaneous revenue	16,147	14,981	31,128
Total revenues	<u>1,565,677</u>	<u>14,981</u>	<u>1,580,658</u>
<b>EXPENDITURES</b>			
Current:			
General government	604,898	-	604,898
Public safety	265,792	-	265,792
Highways and public improvements	1,609,712	-	1,609,712
Parks and recreation	130,805	-	130,805
Capital outlay:			
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,611,207</u>	<u>-</u>	<u>2,611,207</u>
Net change in fund balances	(1,045,530)	14,981	(1,030,549)
Fund balances - beginning of year	<u>1,313,283</u>	<u>502,509</u>	<u>1,815,792</u>
Fund balances - end of year	<u><u>\$ 267,753</u></u>	<u><u>\$ 517,490</u></u>	<u><u>\$ 785,243</u></u>

The accompanying notes are an integral part of these statements.



**FRUIT HEIGHTS CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

---

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Net changes in fund balances - total governmental funds \$ (1,030,549)

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense. This is the amount by  
which capital outlays exceeded depreciation in the current  
period.

Infrastructure	\$ 1,444,126	
Buildings	45,528	
Depreciation expense	<u>(111,347)</u>	1,378,307

Internal service funds are used by management to charge the  
costs of the vehicle and equipment fund to individual funds.

The net loss of certain activities of the Internal Service

Fund is reported with governmental activities. (8,404)

Some governmental fund expenditures reflect payments related  
to prior periods. Such amounts should not be included in the  
government-wide Statement of Activities as they related  
to prior periods.

(4,493)

Change in net assets of governmental activities

\$ 334,861

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental- Type Activities Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Water</b>	<b>Total</b>	
<b><u>ASSETS</u></b>						
Current assets:						
Cash and cash equivalents	\$ -	\$ 144,724	\$ 107,512	\$ 19	\$ 252,255	\$ 376,136
Accounts receivable	53,180	34,401	31,638	8,227	127,446	-
Special assessments receivable	75,219	-	-	-	75,219	-
Interfund receivable	-	32,975	137,296	-	170,271	-
Prepaid water	64,129	-	-	-	64,129	-
Total current assets	192,528	212,100	276,446	8,246	689,320	376,136
Noncurrent assets:						
Restricted cash and cash equivalents	529,921	-	-	-	529,921	-
Fixed assets	5,644,813	-	-	1,816,754	7,461,567	671,127
Less: Accumulated depreciation	(1,393,146)	-	-	(190,102)	(1,583,248)	(393,006)
Total noncurrent assets	4,781,588	-	-	1,626,652	6,408,240	278,121
Total assets	4,974,116	212,100	276,446	1,634,898	7,097,560	654,257
<b><u>LIABILITIES</u></b>						
Current liabilities:						
Accounts payable	14,507	28,982	23,755	22	67,266	2,213
Interfund payable	210,617	-	-	32,975	243,592	-
Revenue bonds payable	30,000	-	-	-	30,000	-
Impact fees payable	31,725	3,400	-	-	35,125	-
Deposits	500	-	-	99,576	100,076	-
Total current liabilities	287,349	32,382	23,755	132,573	476,059	2,213
Noncurrent liabilities:						
Revenue bonds payable	180,000	-	-	-	180,000	-
Total liabilities	467,349	32,382	23,755	132,573	656,059	2,213
<b><u>NET ASSETS</u></b>						
Invested in capital assets, net of related debt	4,009,942	-	-	1,626,652	5,636,594	278,121
Restricted - Special assessment	173,024	-	-	-	173,024	-
Restricted - Impact fees	432,116	-	-	-	432,116	-
Unrestricted	(108,315)	179,718	252,691	(124,327)	199,767	373,923
Total net assets	\$ 4,506,767	\$ 179,718	\$ 252,691	\$ 1,502,325	6,441,501	\$ 652,044
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					91,396	
Net assets of business-type activities					\$ 6,532,897	

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental- Type Activities Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Water</b>	<b>Total</b>	
<b><u>OPERATING REVENUE</u></b>						
Charges for service	\$ 568,317	\$ 373,551	\$ 337,858	\$ 89,981	\$ 1,369,707	\$ 85,300
Other	4,025	4,222	-	-	8,247	-
Total operating revenue	572,342	377,773	337,858	89,981	1,377,954	85,300
<b><u>OPERATING EXPENSES</u></b>						
Operation and maintenance	58,613	2,652	8,641	39,410	109,316	59,970
Sewage treatment	-	346,733	-	-	346,733	-
Source of supply	131,275	-	-	-	131,275	-
Power and pumping	17,045	-	-	-	17,045	-
Depreciation	110,947	-	-	36,335	147,282	45,887
General expense	55,000	12,000	12,000	12,000	91,000	-
Salaries	72,242	-	-	37,590	109,832	-
Employee benefits	24,319	-	-	31,529	55,848	-
Waste collection	-	-	140,111	-	140,111	-
Waste disposal	-	-	137,725	-	137,725	-
Vehicle operation	21,325	-	-	21,325	42,650	-
Total operating expenses	490,766	361,385	298,477	178,189	1,328,817	105,857
Operating income (loss)	81,576	16,388	39,381	(88,208)	49,137	(20,557)
<b><u>NONOPERATING REVENUE (EXPENSES)</u></b>						
Gain on sale of assets	-	-	-	-	-	-
Connection fees	1,020	-	-	-	1,020	-
Impact fees	56,362	-	-	27,076	83,438	-
Interest revenue	6,658	839	1,157	-	8,654	1,875
Interest expense	(10,002)	-	-	-	(10,002)	-
Total non operating revenue and expenses	54,038	839	1,157	27,076	83,110	1,875
Income (loss) before contributions and transfers	135,614	17,227	40,538	(61,132)	132,247	(18,682)
Contributed capital	-	-	-	-	-	-
Changes in net assets	135,614	17,227	40,538	(61,132)	132,247	(18,682)
Net assets - beginning	4,371,153	162,491	212,153	1,563,457		670,726
Net assets - ending	<u>\$ 4,506,767</u>	<u>\$ 179,718</u>	<u>\$ 252,691</u>	<u>\$ 1,502,325</u>		<u>\$ 652,044</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					(10,279)	
Change in net assets of business-type activities					<u>\$ 121,968</u>	

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Type Activities Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Water</b>	<b>Total</b>	
<b>Cash Flows From Operating Activities</b>						
Receipts from customers	\$ 579,960	\$ 379,499	\$ 339,266	\$ 94,325	\$ 1,393,050	\$ -
Payments to employees	(72,242)	-	-	(37,590)	(109,832)	-
Payments to suppliers	(216,859)	(349,132)	(284,860)	(70,917)	(921,768)	(57,757)
Payments for interfund services used	(76,325)	(12,000)	(12,000)	(33,325)	(133,650)	85,300
Net cash provided (used) by operating activities	214,534	18,367	42,406	(47,507)	227,800	27,543
<b>Cash Flows From Noncapital Financing Activities</b>						
Change in interfund borrowings	137,296	(20,450)	(137,296)	20,450	-	-
Net cash provided (used) by noncapital financing activities	137,296	(20,450)	(137,296)	20,450	-	-
<b>Cash Flows From Capital and Related Financing Activities</b>						
Proceeds from sale of assets	-	-	-	-	-	-
Receipts for impact fees	56,362	-	-	27,076	83,438	-
Receipts for connection fees	1,020	-	-	-	1,020	-
Principal paid on capital debt	-	-	-	-	-	-
Interest paid on capital debt	(10,002)	-	-	-	(10,002)	-
Purchases of capital assets	(8,825)	-	-	-	(8,825)	-
Net cash provided (used) by capital and related financing activities	38,555	-	-	27,076	65,631	-
<b>Cash Flows From Investing Activities</b>						
Interest and dividends received	6,658	839	1,157	-	8,654	1,875
Net cash provided (used) by investing activities	6,658	839	1,157	-	8,654	1,875
Net increase (decrease) in cash and cash equivalents	397,043	(1,244)	(93,733)	19	302,085	29,418
Cash and cash equivalents, July 1	132,878	145,968	201,245	-	480,091	346,718
Cash and cash equivalents, June 30	\$ 529,921	\$ 144,724	\$ 107,512	\$ 19	\$ 782,176	\$ 376,136

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Type Activities Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Storm Water</b>	<b>Total</b>	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 81,576	\$ 16,388	\$ 39,381	\$ (88,208)	\$ 49,137	\$ (20,557)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	110,947	-	-	36,335	147,282	45,887
(Increase) decrease in accounts receivable	7,668	1,726	1,408	429	11,231	-
Increase (decrease) in accounts payable	14,393	253	1,617	22	16,285	2,213
Increase (decrease) in deposits	(50)	-	-	3,915	3,865	-
Total adjustments	132,958	1,979	3,025	40,701	178,663	48,100
Net cash provided (used) by operating activities	\$ 214,534	\$ 18,367	\$ 42,406	\$ (47,507)	\$ 227,800	\$ 27,543
<b>Noncash Investing, Capital and Financing Activities:</b>						
Contribution of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Fruit Heights City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

Fruit Heights City was incorporated in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety, public utilities, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has the following component units.

**Fruit Heights City Municipal Building Authority.** The Fruit Heights City Municipal Building Authority's governing board is appointed by the government's governing body. The City created a building authority in the form of a non-profit corporation under the Utah Municipal Building Authority Act for the purpose of acquiring, improving, or extending one or more projects, as defined in the Act, and to finance their costs on behalf of the City in accordance with the procedures and subject to limitations of the Act. There was no activity in the current year.

**B. Government-wide and Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

***Government-wide Financial Statements***

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

***Fund Financial Statements***

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

**General Fund -** This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

**Capital Projects Fund -** This fund accounts for financial resources to be used for the construction of major capital projects.

The City reports the following major proprietary funds:

**Sewer Fund -** The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-wide and Fund Financial Statements (Continued)**

- Water Fund -** The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- Solid Waste Fund -** The solid waste fund is used to account for operations of the solid waste system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- Storm Water Fund -** The storm water fund is used to account for operations of the storm water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

- Internal Service Fund -** The internal service fund is used to account for the operating costs of vehicles and equipment charged to the other departments or funds. The internal service fund primarily benefits the governmental funds and is included as part of governmental-type activities in the government-wide financial statements. The net profit or loss on the internal service fund operations is allocated to the functions that benefited from the goods or services provided on the basis of their proportionate benefit. This technique is commonly known as the look-back approach to internal service fund consolidations on the government-wide financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.



**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the City does not apply FASB pronouncements issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Assets, Liabilities, and Fund Balances/Net Assets**

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Pooled Cash and Temporary Investments***

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

***Inventories***

No significant inventories are maintained by the City, therefore none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)**

***Capital Assets***

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-10 years
Improvements	10-50 years	Infrastructure	25-40 years

***Long-term Obligations***

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

***Equity***

**Fund financial statements:**

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)**

- d. Assigned fund balance - Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

Government-wide statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is City's policy to first apply restricted resources when the expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**E. Revenues and Expenditures**

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

***Revenue Availability***

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues and Expenditures (Continued)**

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2011.

***Expenditure Recognition***

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

**F. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for both the General Fund and Capital Projects Fund. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

**Summary of City Budget Procedures and Calendar**

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting (Continued)**

Summary of City Budget Procedures and Calendar (Continued)

10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

11. In connection with budget adoption:

- a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
- b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.

12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Summary of Action Required for Budget Changes:**

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

**Current Year Excess of Expenditures Over Appropriations**

For the year ended June 30, 2011 expenditures exceeded appropriations in the Public Safety department.

**G. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**H. Compensated Absences**

City policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**I. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Restricted Resources**

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City's deposits are carried at cost.

At June 30, 2011, the carrying amount of the City's deposits was \$113,778 and the bank balance was \$131,742. Of the bank balance, \$131,742 was covered by NCUA and FDIC depository insurance.

**B. Investments**

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 1,746,551	\$ 1,757,097

**C. Summary**

	Carrying Amount
Deposits	\$ 113,778
Investment in Utah Public Treasurer's Investment Fund	1,746,551
Total deposits and investments	\$ 1,860,329
Equity in pooled cash and investments	\$ 1,189,498
Restricted cash - water	529,921
Restricted cash - capital projects	130,659
Restricted cash - general fund	3,249
Restricted cash - subdivider guarantee deposits	7,002
Total deposits and investments	\$ 1,860,329

*Deposit and Investment Risk Disclosure.* Deposits and investments for Fruit Heights City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

*Custodial credit risk - deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2011 were \$131,742, of which \$131,742 was insured under NCUA and FDIC depository insurance.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated.

*Credit risk.* Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk.* The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.



**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2011**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	(Deletions)	Balance June 30, 2011
<b><u>PRIMARY GOVERNMENT</u></b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Nondepreciated Assets				
Land	\$ 1,135,873	\$ -	\$ -	\$ 1,135,873
Water rights	988	-	-	988
Total nondepreciated assets	<u>1,136,861</u>	<u>-</u>	<u>-</u>	<u>1,136,861</u>
Depreciated Assets				
Infrastructure	2,117,875	1,444,126	-	3,562,001
Vehicles	671,126	-	-	671,126
Improvements-nonbuilding	486,475	-	-	486,475
Machinery and equipment	108,874	-	-	108,874
Buildings	1,045,230	45,528	-	1,090,758
Total depreciated assets	<u>4,429,580</u>	<u>1,489,654</u>	<u>-</u>	<u>5,919,234</u>
Less accumulated depreciation				
Infrastructure	(160,771)	(54,759)	-	(215,530)
Vehicles	(347,118)	(45,887)	-	(393,005)
Buildings	(336,775)	(27,138)	-	(363,913)
Machinery and equipment	(71,216)	(5,769)	-	(76,985)
Improvements	(202,691)	(23,681)	-	(226,372)
Total	<u>(1,118,571)</u>	<u>(157,234)</u>	<u>-</u>	<u>(1,275,805)</u>
Net assets depreciated	<u>3,311,009</u>	<u>1,332,420</u>	<u>-</u>	<u>4,643,429</u>
Governmental activities capital assets, net	<u><u>\$ 4,447,870</u></u>	<u><u>\$ 1,332,420</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,780,290</u></u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Nondepreciated Assets				
Land	\$ 98,783	\$ -	\$ -	\$ 98,783
Work in process	21,519	-	-	21,519
Water rights	16,115	-	-	16,115
Total nondepreciated assets	<u>136,417</u>	<u>-</u>	<u>-</u>	<u>136,417</u>
Depreciated Assets				
Improvements-nonbuilding				
Infrastructure	1,040,571	-	-	1,040,571
Water system	4,469,062	-	-	4,469,062
Irrigation water system	455,058	-	-	455,058
Storm water system	1,257,645	-	-	1,257,645
Equipment				
Water system	73,593	8,825	-	82,418
Sewer system	20,396	-	-	20,396
Total depreciated assets	<u>7,316,325</u>	<u>8,825</u>	<u>-</u>	<u>7,325,150</u>



**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**NOTE 3 - CAPITAL ASSETS (CONTINUED)**

	Balance June 30, 2010	Additions	(Deletions)	Balance June 30, 2011
<b>BUSINESS-TYPE ACTIVITIES (CONTINUED)</b>				
Less accumulated depreciation				
Improvements-nonbuilding				
Infrastructure	\$ (77,143)	\$ (20,811)	\$ -	\$ (97,954)
Water system	(1,114,465)	(89,381)	-	(1,203,846)
Irrigation water system	(38,366)	(9,101)	-	(47,467)
Storm water system	(114,837)	(25,153)	-	(139,990)
Equipment				
Water system	(72,047)	(1,546)	-	(73,593)
Sewer system	(19,108)	(1,290)	-	(20,398)
Total	(1,435,966)	(147,282)	-	(1,583,248)
Net assets depreciated	5,880,359	(138,457)	-	5,741,902
Business-type activities capital assets, net	\$ 6,016,776	\$ (138,457)	\$ -	\$ 5,878,319

**DEPRECIATION EXPENSE**

	Governmental Types	Business Types	Totals
General government	\$ 87,666	\$ -	\$ 87,666
Parks	23,681	-	23,681
Internal service	45,887	-	45,887
Sewer	-	1,290	1,290
Water	-	120,839	120,839
Storm water	-	25,153	25,153
TOTAL	\$ 157,234	\$ 147,282	\$ 304,516

**NOTE 4 - LEASES**

Operating lease: On March 16, 2007 the City entered into a lease agreement as lessee for an office copier with payments to begin July 2007. The total cost for this lease for the year ended June 30, 2011 was \$2,428. The future minimum lease payments for the lease are as follows:

Year ending June 30,	Amount
2012	\$ 2,428

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**NOTE 5 - LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2011, was as follows:

Description	Interest Rate	Outstanding June 30, 2010	Additions	Payments	Outstanding June 30, 2011	Current Portion
BUSINESS						
Water utility fund:						
Promissory note -						
Revenue obligation	5.00%	\$ 210,000	\$ -	\$ -	\$ 210,000	\$ 30,000
Total water utility		<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 30,000</u>

**Promissory Note - Municipal Revenue Obligation**

On June 15, 2004, the City entered into a loan agreement evidenced by a promissory note in the amount of \$300,000 with interest at the annual rate of 5% simple interest. The proceeds are to be used to fund the Fruit Heights City East Bench Pressure Irrigation Special Improvement district which is the vehicle to construct a pressure irrigation delivery system for some residents in Fruit Heights who will repay their individual assessments for participation in the irrigation system. It is the intent that this obligation is to be a Municipal Revenue Obligation of the specific group of participants/residents of the City and not a General Obligation of the City. The terms are as follows:

Principal balance shall be repaid as it is received by Fruit Heights City in no more than twenty (20) annual payments of \$15,000 beginning October 31, 2005. The note can be prepaid at any time without prepayment penalty. Interest shall be calculated on the outstanding principal balance quarterly and paid annually on July 31 of each year beginning July 31, 2005. Interest shall commence to accrue as of June 15, 2004.

The special assessment was made to residents. The City will collect the payments from the residents and then make the required payments on the promissory note.

Annual requirements to amortize long-term debt as of June 30, 2011 - Revenue Obligation Promissory Note:

June 30,	Revenue Obligation		Total
	Principal	Interest	
2012	\$ 30,000	\$ 9,253	\$ 39,253
2013	15,000	8,502	23,502
2014	15,000	7,753	22,753
2015	15,000	7,002	22,002
2016	15,000	6,253	21,253
2017	15,000	5,502	20,502
2018	15,000	4,753	19,753
2019	15,000	4,002	19,002
2020	15,000	3,253	18,253
2021	15,000	2,502	17,502
2022	15,000	1,753	16,753
2023	15,000	1,002	16,002
2024	15,000	253	15,253
	<u>\$ 210,000</u>	<u>\$ 61,783</u>	<u>\$ 271,783</u>

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS**

Plan Description. Fruit Heights City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, Fruit Heights City is required to contribute 13.37% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Fruit Heights City contributes to the Local Governmental Noncontributory Retirement System. The contributions for June 30, 2011, 2010, and 2009, were \$47,399, \$47,987, and \$49,162, respectively. The contributions were equal to the required contributions for each year.

Fruit Heights City also participates in a defined contribution 401K plan for employees. The contributions were as follows:

	<u>Employee</u>	<u>Employer</u>
2011	\$ 20,813	\$ 17,772
2010	\$ 27,699	\$ 20,620
2009	\$ 30,740	\$ 21,177

**NOTE 7 - POST-EMPLOYMENT BENEFITS**

The only post-employment benefit offered by the City is health insurance for eighteen (18) months following termination. Employees covered and eligible are all employees who were covered by the insurance during employment. The participant is required to pay 100% of the premiums. The City is not required to contribute and therefore incurs no expense.

**NOTE 8 - RISK MANAGEMENT**

Fruit Heights City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2011, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 9 - DEFERRED REVENUE**

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement No.33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue. Deferred revenue also includes a portion of cell tower rent which was prepaid for a five year period.

**NOTE 10 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES**

This amount represents the accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2011, and 2010, \$25,043 and \$20,550 respectively.

**NOTE 11 - INTERFUND CHARGES FOR SERVICES**

During the year ended June 30, 2011, the interfund charges for services were as follows:

Internal Service Fund - vehicle and equipment operating costs charged to:

Water fund	\$ 21,325
Storm water fund	21,325
General fund - roads	21,325
General fund - parks	21,325
	<u>21,325</u>
	<u>\$ 85,300</u>

General Fund charges for services administrative cost share charged to:

Water fund	\$ 50,000
Solid waste fund	7,000
Storm water fund	7,000
Sewer fund	7,000
	<u>7,000</u>
	<u>\$ 71,000</u>

General fund building costs share charged to:

Water fund	\$ 5,000
Solid waste fund	5,000
Storm water fund	5,000
Sewer fund	5,000
	<u>5,000</u>
	<u>\$ 20,000</u>

**NOTE 12 - INTEREST EXPENSE**

The proprietary funds incurred \$10,002 in interest expense of which \$10,002 was charged to expense and \$-0- was capitalized.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 13 - RESTRICTIONS OF FUND BALANCE/RETAINED EARNINGS**

Restricted for Park Impact Fees - This represents park impact fees collected and restricted for park improvements.

Restricted for Water and Storm Water Impact Fees - This represents impact fees collected and restricted for water and storm water improvements.

Restricted for Class "C" Road - This represents the excess of Class "C" Road funds received over the amount spent.

Restricted for Special Assessment - This represents amounts assessed to residents for pressurized irrigation system, collected and held for repayment of loan.

Assigned for Emergency Preparedness - This represents required reserve for unexpended amounts from state grants.

**NOTE 14 - PROPERTY TAX CALENDAR**

Lien date	Jan. 1
Taxing entity notifies the county of date, time, and place of public hearing	Mar. 1
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year	1st scheduled council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	Jun. 8
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor	Before Jun. 22
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	Jun. 22
Taxing entity adopts final budget if there is no increase in certified tax rate	Jun. 22
Copy of the budget is submitted to state auditor within 30 days of adoption	
Payment and delinquency date	Nov. 30

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

---

**NOTE 15 - EXPLANATION OF CERTAIN DIFFERENCES**

The proprietary fund Statement of Net Assets includes a reconciliation between *net assets - total enterprise funds* and *net assets of business-type activities* as reported in the government-wide Statement of Net Assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$18,075 difference are as follows:

Internal receivable representing charges in excess of cost to business type activities - prior years	\$ 101,675
Internal receivable representing costs in excess of charges to business type activities - current year	(10,279)
Interfund borrowing to cover expenditures in excess of revenues and available cash.	<u>(73,321)</u>
Net adjustment to increase <i>net assets - total enterprise funds</i> to arrive at <i>net assets - business-type activities</i>	<u><u>\$ 18,075</u></u>

**NOTE 16 - CONTRACTUAL COMMITMENTS**

The City has made two commitments for water construction projects within the City's boundaries. The total cost of these projects is estimated to be \$127,053. No work had begun before year end and no expenses had been recorded within the water fund for these projects.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 509,000	\$ 509,000	\$ 535,654	\$ 26,654
Fees-in-lieu taxes	57,000	57,000	57,656	656
Redemptions	3,000	3,000	18,717	15,717
Sales tax	475,000	475,000	452,688	(22,312)
Total taxes	1,044,000	1,044,000	1,064,715	20,715
Licenses and permits:				
Business licenses and permits	5,000	5,000	3,420	(1,580)
Building permits	35,000	60,000	61,474	1,474
Excavation fee	800	850	1,020	170
Franchise tax - cable rent	49,000	74,000	77,282	3,282
Total licenses and permits	89,800	139,850	143,196	3,346
Intergovernmental:				
Class "C" roads	150,000	164,000	163,757	(243)
State liquor allotment	4,000	4,000	3,301	(699)
State grants	4,000	4,000	-	(4,000)
Total intergovernmental	158,000	172,000	167,058	(4,942)
Charges for services:				
Subdivision and engineering fees	15,000	30,000	33,451	3,451
Inspection fees	15,000	20,000	22,110	2,110
Building rent	20,000	20,000	20,000	-
Administrative services	71,000	71,000	71,000	-
Park fees	3,000	3,000	3,900	900
Total charges for services	124,000	144,000	150,461	6,461
Fines and forfeitures	23,000	23,600	24,100	500



**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues - Continued:</u>				
Other revenues:				
Rent of building	\$ 600	\$ 600	\$ -	\$ (600)
Interest earnings and Class "C"	12,000	12,000	3,231	(8,769)
Miscellaneous	20,000	20,550	12,916	(7,634)
Total other revenues	32,600	33,150	16,147	(17,003)
Total revenues	1,471,400	1,556,600	1,565,677	9,077
<u>Expenditures</u>				
Current:				
General government:				
Mayor and council	39,700	39,700	35,239	4,461
Judicial	17,400	18,400	11,311	7,089
Executive	152,700	152,700	134,310	18,390
City Treasurer	72,000	61,700	59,869	1,831
City Recorder	24,925	24,925	18,637	6,288
Audit	6,000	6,000	5,900	100
Professional and technical services	40,000	40,000	36,068	3,932
City Hall operations	67,200	68,100	61,321	6,779
Non-departmental	201,750	200,440	184,164	16,276
Elections	-	-	-	-
Planning and zoning	45,500	55,500	55,637	(137)
Emergency preparedness	9,000	9,000	2,442	6,558
Total general government	676,175	676,465	604,898	71,567
Public safety:				
Law enforcement	124,650	133,150	143,381	(10,231)
Fire protection	112,000	112,529	112,529	-
Protective inspection	14,500	14,500	9,882	4,618
Total public safety	251,150	260,179	265,792	(5,613)
Roadways:				
Roads	794,325	1,104,325	979,691	124,634
Class "C" Roads	619,000	623,291	630,021	(6,730)
Total roadways	1,413,325	1,727,616	1,609,712	117,904

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (CONTINUED)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures - Continued</u>				
Parks and recreation:				
Parks	\$ 149,325	\$ 149,325	\$ 107,180	\$ 42,145
Recreation	26,000	24,625	23,625	1,000
Total parks and recreation	175,325	173,950	130,805	43,145
Total expenditures	2,515,975	2,838,210	2,611,207	227,003
Excess (deficiency) of revenues over expenditures	(1,044,575)	(1,281,610)	(1,045,530)	(236,080)
Fund balance - beginning of year	1,313,283	1,313,283	1,313,283	-
Fund balance - end of year	<u>\$ 268,708</u>	<u>\$ 31,673</u>	<u>\$ 267,753</u>	<u>\$ (236,080)</u>

## **AUDITORS' REPORTS & FINDINGS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council  
Fruit Heights City

We have audited the financial statements of the governmental activities, the business-type activities, each major fund of Fruit Heights City as of and for the year ended June 30, 2011, which collectively comprise Fruit Heights City's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Fruit Heights City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fruit Heights City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fruit Heights City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be a significant deficiency in internal control over financial reporting, (2011#1) A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fruit Heights City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

December 20, 2011  
Page 2

We noted certain other matters that we reported to management of Fruit Heights City, in a separate letter dated December 20, 2011.

This report is intended solely for the information and use of management and the Mayor, City Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

---

Ogden, UT  
December 20, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
IN ACCORDANCE WITH THE STATE OF UTAH  
LEGAL COMPLIANCE AUDIT GUIDE**

The Honorable Mayor and City Council  
Fruit Heights City, Utah

We have audited Fruit Heights City's compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows.

Public Debt	Liquor Law Enforcement
Cash Management	Purchasing Requirements
B & C Road Funds	Budgetary Compliance
Other General Issues	Uniform Building Code Standards
Impact Fees	URS Compliance
Truth in Taxation & Property Tax Limitations	Fund Balance

The City received the following major assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted are audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, Fruit Heights City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which is described in the schedule of findings.

Independent Auditor's Report on State Legal Compliance  
Page 2

Management's response to the finding identified in our audit is described in the schedule of findings. We did not audit management's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the City, the Mayor and City Council, the Office of the Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wood Richards & Associates

---

December 20, 2011

**FRUIT HEIGHTS CITY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

---

**Significant Deficiency in Internal Control:**

Finding #11-01: During the audit it was discovered that the City does not have a formal documented review of the bank statements including cancelled checks, bank reconciliations, or check sequence. The City Council does receive a copy of a financial report; however, this report does not necessarily provide the level of detail necessary to create a compensating control for the lack of separation of duties within the City's accounts payable control system.

Recommendation: We recommend the City implement a monthly documented review of the bank reconciliations, bank statements, cancelled checks, and check sequence. This review should be performed by an individual that does not have access to the accounts payable module in Caselle or have access to the blank check stock of the City.

Response: The City agrees with this recommendation and will implement a monthly review procedure.

**State Compliance Findings**

Finding #11-02: State law requires that expenditures not be incurred in excess of the appropriation for any department within the general fund. The planning and zoning department, law enforcement department, and the Class "C" roads, all in the general fund, exceeded their budgets by \$137, \$10,231, and \$6,730, respectively.

Recommendation: We recommend the City limit their expenditures or open the budget late in the year to provide for the variances.

Response: The City has agreed to limit their spending or to open the budget late in the year to allow for the variances.